

March 13, 2013

**ITEM NO. B3**

**AUTHORIZATION TO ENTER INTO A CONTRACT WITH CONSTELLATION  
NEWENERGY FOR THE SUPPLY AND DELIVERY OF NATURAL GAS TO  
VARIOUS CHA RESIDENTIAL SITES**

To the Honorable Board of Commissioners:

**RECOMMENDATION**

It is recommended that the Board of Commissioners (“Board”) authorizes the Chief Executive Officer or his designee to enter into a contract with Constellation NewEnergy – Gas Division, LLC for the supply and delivery of natural gas to various CHA residential sites in an amount not-to-exceed \$11,800,000.00 for a two (2) year base term beginning April 1, 2013, with three (3) one (1) year options.

The Executive Vice President (EVP) of Finance, the Office of the General Counsel and the Office of Procurement have completed all necessary due diligence to support the submission of this procurement and recommend the approval of this item accordingly.

**CORPORATE GOAL**

Maintain effective and efficient supplies of natural gas to residential developments of the Chicago Housing Authority (“CHA”).

**FUNDING:** General Fund

**SOLICITATION SUMMARY**

**Specification No.:** RFP 12-01012

**Vendor:**

Constellation NewEnergy – Gas Division, LLC  
9960 Corporate Campus Drive, Suite 2000  
Louisville, KY 40223

**Contract Type:**

Requirements

**Base Contract Amount:**

\$11,800,000.00

**Contract Term:**

Two (2) years

**Solicitation Release Date:**

December 26, 2012

**Days Advertised:**

30

**Addenda:**

1

**Publication (s):**

Chicago Sun-Times, Chicago Defender, Extra

**Pre-Proposal Conference:**

01/11/2013

**Solicitation Due Date:**

02/04/2013

**Number of Vendors Solicited:**

Nine (9)

**Assist Agencies:**

Sixty-six (66)

**Pick-up List:**

Seven (7)

**Respondents:**

Two (2)

**MBE/WBE/DBE Participation:**

**MBE** 20 %    **WBE** \_\_\_\_\_ %    **DBE** \_\_\_\_\_ %

**Section 3:** N/A, however vendor is paying \$177,000 into Section 3 Fund Scholarships.

**GENERAL BACKGROUND**

The Chicago Housing Authority's current natural gas supply and delivery contract with Integrys Energy Services will expire on March 31<sup>st</sup> 2013. CHA manages approximately 21,000 lower-income public housing units located throughout the City of Chicago. Providing heat and domestic hot water to these units requires a consistent and reliable supply of large volumes of natural gas.

Given the CHA's anticipated consumption of approximately 22,689,860 therms of natural gas for the next twenty-four (24) months, the recommended agreement offers CHA the opportunity to more advantageously purchase its gas needs on wholesale terms instead of retail, and enables the CHA to hedge against potential market price fluctuations through use of multi-tiered price/risk management options available to the CHA as a wholesale (wellhead) purchaser. The CHA has utilized wellhead purchasing practices to secure its natural gas supplies for the housing portfolio at advantageous rates and to manage the risks of market fluctuations in natural gas costs and supplies. Continued use of wellhead purchasing is expected to provide further cost savings and efficiencies over the use of retail gas supplies from the local utility.

Based on the foregoing, the Office of Budget Management recommends awarding the natural gas contract to Constellation NewEnergy – Gas Division, LLC for twenty-four (24) months, commencing on or about April 1, 2013, in an amount not-to-exceed \$11,800,000.

The Board action recommended in this item complies in all material respects with all applicable Chicago Housing Authority board policies and all applicable federal (HUD) procurement laws.

The EVP of Finance concurs with the recommendation to enter into a two (2) year contract with up to three (3) one-year options with Constellation NewEnergy – Gas Division, LLC to supply natural gas to the CHA.

The CEO/President recommends the approval to enter into a contract with Constellation NewEnergy - Gas Division, LLC for the supply of natural gas to the CHA for base term of two (2) years of service in an amount not-to-exceed \$11,800,000.00.

**RESOLUTION NO. 2013-CHA-15**

**WHEREAS**, the Board of Commissioners has reviewed Board Letter dated March 13, 2013, requesting “**AUTHORIZATION TO ENTER INTO A CONTRACT WITH CONSTELLATION NEWENERGY FOR THE SUPPLY AND DELIVERY OF NATURAL GAS TO VARIOUS CHA RESIDENTIAL SITES**”

**THEREFORE, BE IT RESOLVED BY THE CHICAGO HOUSING AUTHORITY**

**THAT** the Board of Commissioners authorizes the Chief Executive Officer or his designee to enter into a contract with Constellation NewEnergy – Gas Division, LLC for the supply and delivery of natural gas to various CHA residential sites for a two (2) year base term in an amount not-to-exceed \$11,800,000.00 for the base term beginning April 1, 2013, with three (3) one-year extension options.

These awards are subject to the Contractor’s compliance with the CHA’s applicable MBE/WBE/DBE, Section III, and bonding and insurance requirements.

